NATIONAL BISCUIT COMPANY
Annual Report
YEAR ENDED DECEMBER 31, 1954

THE YEAR IN BRIEF

	1954	1953
Net sales	$376,392,292	$359,017,706
Net income	19,911,929	18,145,160
Net income per dollar of sales	5.3 cents	5.0 cents
Net income per share common stock	2.85	2.61
Dividends declared		
Preferred stock—7%	1,736,315	1,736,315
Common stock	12,723,665	12,578,896
Per share of common stock	2.00	2.00
Net income retained in the business	5,451,949	3,829,949
Cost of plant and equipment additions	15,232,807	9,799,288
Current assets	102,520,022	95,203,514
Current liabilities	48,686,278	43,835,989
Working capital	53,833,744	51,367,525

Record of Consolidated Income and Other Statistics

DOLLARS IN MILLIONS
(Except per share figures)

Year	Net Sales	Income Before Federal and Foreign Taxes on Income	Provision for Federal and Foreign Taxes on Income	Net Income	Dividends Declared: Preferred Stock	Dividends Declared: Common Stock	Earnings Reinvested in the Business	Plant and Equipment Expenditures	Per Share Common Stock: Net Income	Per Share Common Stock: Dividends Declared
1945	$205.0	$26.9	$16.4	$10.5	$1.7	$ 7.6	$ 1.2	$ 1.0	$1.39	$1.20
1946	220.2	31.3*	11.7	19.6*	1.7	7.6	10.3	3.4	2.85*	1.20
1947	263.9	37.9	15.0	22.9	1.7	12.6	8.6	7.0	3.36	2.00
1948	296.3	36.5*	13.8	22.7*	1.7	12.6	8.4	16.8	3.33*	2.00
1949	294.4	36.4	14.7	21.7	1.7	12.6	7.4	20.3	3.17	2.00
1950	296.4	39.4	18.3	21.1	1.7	12.6	6.8	12.2	3.08	2.00
1951	329.9	33.2	17.0	16.2	1.7	12.6	1.9	17.8	2.30	2.00
1952	346.5	39.7	21.9	17.8	1.7	12.6	3.5	16.3	2.56	2.00
1953	359.0	40.8	22.7	18.1	1.7	12.6	3.8	9.8	2.61	2.00
1954	376.4	43.2	23.3	19.9	1.7	12.7	5.5	15.2	2.85	2.00

DOLLARS IN MILLIONS
(Except per share figures)

Year	Current Assets	Current Liabilities	Working Capital	Plant and Equipment (Net)	Book Value Common Stock	Book Value Per Share Common Stock	Number of Shareholders	Cost of Employees' Services	Provision for All Taxes (Except Social Security)
1945	$ 79.1	$27.2	$51.9	$ 52.6	$ 81.5	$12.95	66,110	$ 66.5	$19.1
1946	84.3	21.7	62.6	52.2	92.1	14.65	67,010	70.5	14.2
1947	96.8	28.8	68.0	54.9	100.7	16.01	65,441	79.6	18.1
1948	91.4	27.8	63.6	67.3	109.1	17.36	65,753	94.0	16.8
1949	89.6	31.9	57.7	81.8	116.5	18.53	64,579	101.4	17.8
1950	94.6	35.3	59.3	86.4	123.3	19.61	63,871	100.9	21.8
1951	89.0	38.0	51.0	96.4	125.2	19.91	66,682	114.1	20.5
1952	94.5	44.3	50.2	104.4	128.7	20.47	69,045	121.3	25.3
1953	95.2	43.8	51.4	105.7	132.5	21.07	69,961	126.4	26.3
1954	102.5	48.7	53.8	112.1	141.6	22.17	69,829	126.6	27.1

* Includes extraordinary income of $2.5 million equal to 40 cents per share of common stock in 1946 and $1.4 million equal to 22 cents per share of common stock in 1948.

Table of Contents

ANNUAL SHAREHOLDERS' MEETING will be held at 2 P.M., April 13, 1955, in the West Ballroom of the Hotel Commodore, 42nd Street at Lexington Avenue, New York, N. Y. Shareholders who cannot attend the meeting are urged to exercise their right to vote by proxy. Proxy form, proxy statement, and a return envelope were sent to shareholders on March 4, 1955.

GEORGE H. COPPERS

Report of the President

I am glad to report that National Biscuit Company profits for the year 1954, both before and after taxes on income, were well ahead of the previous year. Sales were at an all time high level.

However, before giving you details on profits and sales, I would like to tell you about the acquisition of three companies and the creation of a new sales division during the year 1954—the fifty-seventh year of Company operation.

Acquisitions

The Company made the following acquisitions during the year 1954, aimed at strengthening its future position by further diversifying its line of food products:

Ranger Joe, Inc., with a cereal plant at Chester, Pa., was acquired on February 3, 1954. This company, which originated presweetened cereals, is presently marketing two puffed-grain products.

Schooley & Son, producers of dog meal with a plant at Luzerne, Pa., was acquired on March 2, 1954. It is planned to use this plant to produce a dog meal to supplement the baked dog biscuit products marketed by the Company under the well-known trademarks, "MILK-BONE" and "PAL."

The Hills Brothers Company was acquired on March 31, 1954 in exchange for 96,513 shares of our Par Value $10 Common Capital Stock. This is an old company with an excellent reputation. It packages and markets cake mixes, dates, pimientos, and glacé fruits under the famous "Dromedary" trademark. The company has four plants located in Brooklyn and Lyons, N. Y., Woodbury, Ga., and Richmond, Cal.

Ranger Joe, Inc., and The Hills Brothers Company are continuing as wholly owned subsidiaries; while the Schooley & Son dog-meal plant at Luzerne, Pa., is being operated as a branch of National Biscuit Company.

These acquisitions have extended our line of food products to new fields and we expect to enlarge and expand the scope of activities of these latest members of the Nabisco family.

Special products division

A new division known as the "Special Products Division" was created on October 1, 1954 to handle the sales of the Company's cereal and dog-food varieties. Heretofore, these items have been sold and delivered directly to retail stores along with our biscuit and cracker products. Now they will be sold and delivered through wholesale channels, which we believe to be a better method of distribution for such products.

This new division is now functioning on

the Pacific Coast and will gradually move eastward until it covers the entire country.

We are enthusiastic about the formation of the Special Products Division. It places the responsibility for the promotion and sale of our cereal and dog-food items with an organization specifically designed for the purpose. It will enable us more readily to add to our line new products which do not require store-door distribution, and it leaves the Company's regular sales organization free to concentrate its full-time efforts on our extensive biscuit and cracker line.

Profits improved

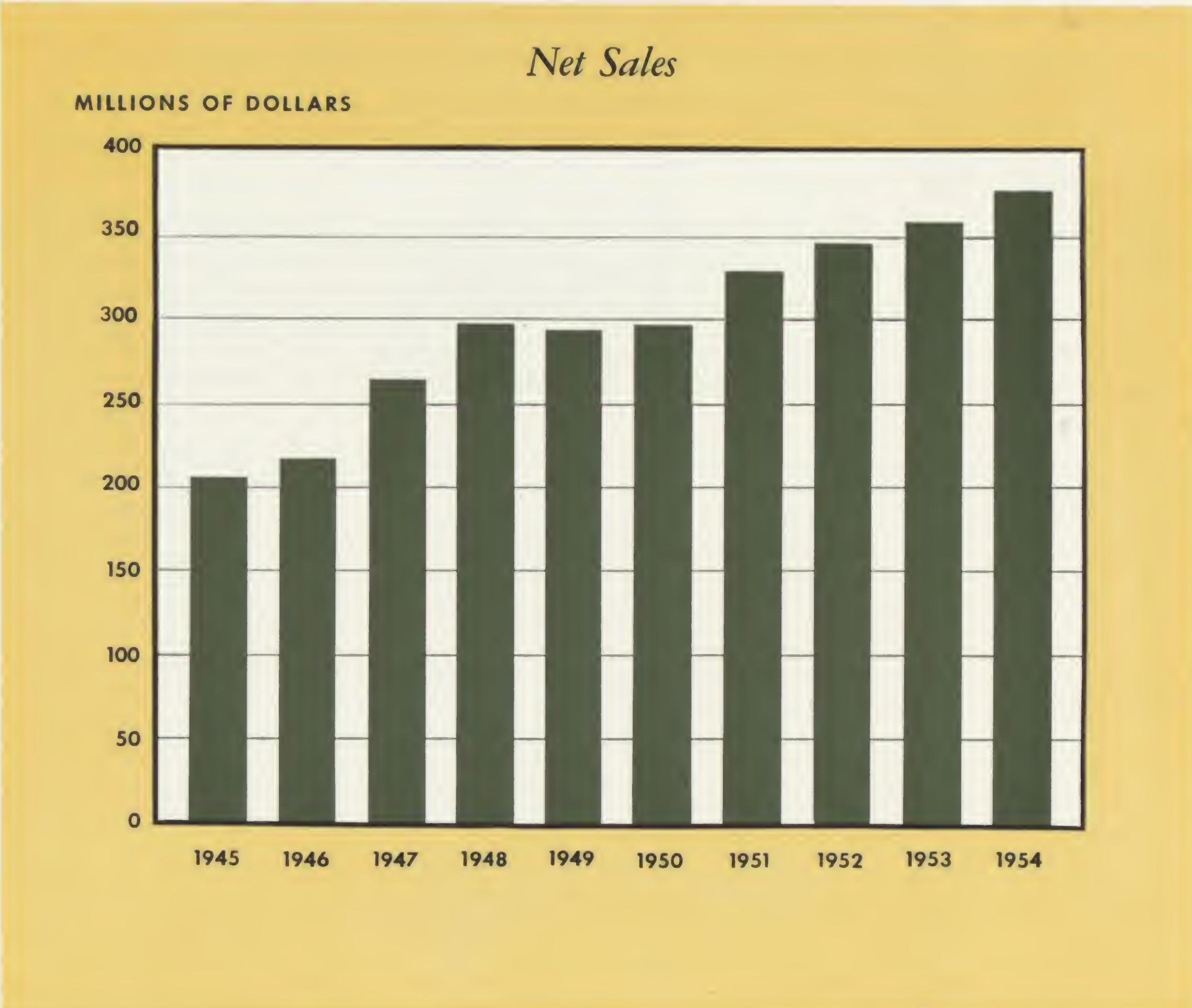
Consolidated net profits for the year 1954 totaled \$19.9 million, equal, after providing for dividends on the preferred stock, to \$2.85 per share on the 6,385,961 shares of common stock now outstanding. The consolidated net profits for the prior year—1953—totaled \$18.1 million, equal to \$2.61 per share on the 6,289,448 shares of common stock then outstanding.

Net profits in 1954 were equivalent to 5.3 cents per dollar of sales—5.0 cents in 1953.

The profits in 1954, before federal and foreign taxes on income, were at a record high level and totaled \$43.2 million—\$40.8 million in 1953.

The improved profit position is attributable to higher sales volume, manufacturing economies, and reduced contributions to the pension trust funds for past service liability. The contribution to the pension trust funds

A small, native sailing vessel takes a load of freshly-packed dates to a U.S.-bound steamer at operations of The Hills Brothers Company in Iraq.



for past service which totaled $4.7 million in 1953 was reduced to $2.8 million in 1954. As a result of this change the complete funding of the past service pension liability will extend over a longer period of time. This is explained in more detail on page 13.

Record sales

Consolidated net sales for the year 1954 totaled $376.4 million, an increase of $17.4 million or 4.8 per cent over the previous year. About $14.2 million of 1954 sales were accounted for by the new acquisitions, described earlier in this report, but after allowing for this additional gross revenue Company sales still showed an increase in 1954 over the previous year.

Our advertising and that of our domestic subsidiaries is now placed through five advertising agencies. The McCann-Erickson, Inc., agency handles the advertising of our

biscuits, crackers and specialty-baked product; the Needham & Grohmann Inc., agency prepares our advertising directed at hotels, restaurants and institutions; the Kenyon & Eckhardt Inc., agency handles cereal and dog-food advertising for both the new Special Products Division and Ranger Joe, Inc.; advertising of The Hills Brothers Company products is divided between the Ted Bates & Company and Lennen & Newell, Inc., agencies.

The continued growth in the number of self-service food stores makes it increasingly necessary to reach the consumer through direct advertising and to convince retail food-store operators of the competitive advantages of stocking our products. Dollar advertising expenditures of the Company and its subsidiaries have increased each year over the last decade, reaching a total of $12.7 million in 1954. In addition to our direct advertising to consumers, advertising and promotional allowances were granted, effective January 1, 1954, to retail food-store operators who qualify for such allowances by advertising and promoting the sale of our products.

Among the outstanding new and improved biscuit and cracker products marketed nationally in 1954 were the following:

CHEDDAR CHEESE CRACKERS
(a delightful snack, flavored with rich cheddar cheese)

TRISCUIT SHREDDED WHOLE WHEAT WAFER
(a greatly improved product in a new package)

CAMEO CREME SANDWICH
(in a cellophane bag)

SWISS CREME SANDWICH
(in large and small cellophane bags)

NABISCO SUGAR WAFERS
(in a new large foil-wrapped package)

The following table shows sales trends by quarters for each of the past three years:

Net Sales by Quarters in Millions of Dollars

Quarter Ended		1954	1953	1952
March	31	$ 88.8	$ 87.5	$ 85.5
June	30	90.8	88.9	85.8
September	30	90.3	90.4	85.5
December	31	* 106.5	92.2	89.7
Total		*$376.4	$359.0	$346.5

*Includes $14.2 million sales of Ranger Joe, Inc., and The Hills Brothers Company since February 1, 1954 and April 1, 1954, respectively, to the end of the year 1954.

New TV programs

Two major ventures into national network television were undertaken in 1954 as a key part of our stepped-up advertising program.

In October the Company began sponsorship of a new television show, "The Halls of Ivy," starring Mr. and Mrs. Ronald Colman. This program, formerly an award-winning radio show and dealing with the life of the president of a mythical college, marked the TV debut of the Colmans and has been an outstanding success. Sponsored on alternate weeks by NABISCO and the International Harvester Company, "The Halls of Ivy" appears each Tuesday night at 8:30

Featured in NABISCO's two new television programs are famous dog movie star Rin Tin Tin and his young master, Rusty, above left; and the ever-popular Mr. and Mrs. Ronald Colman.

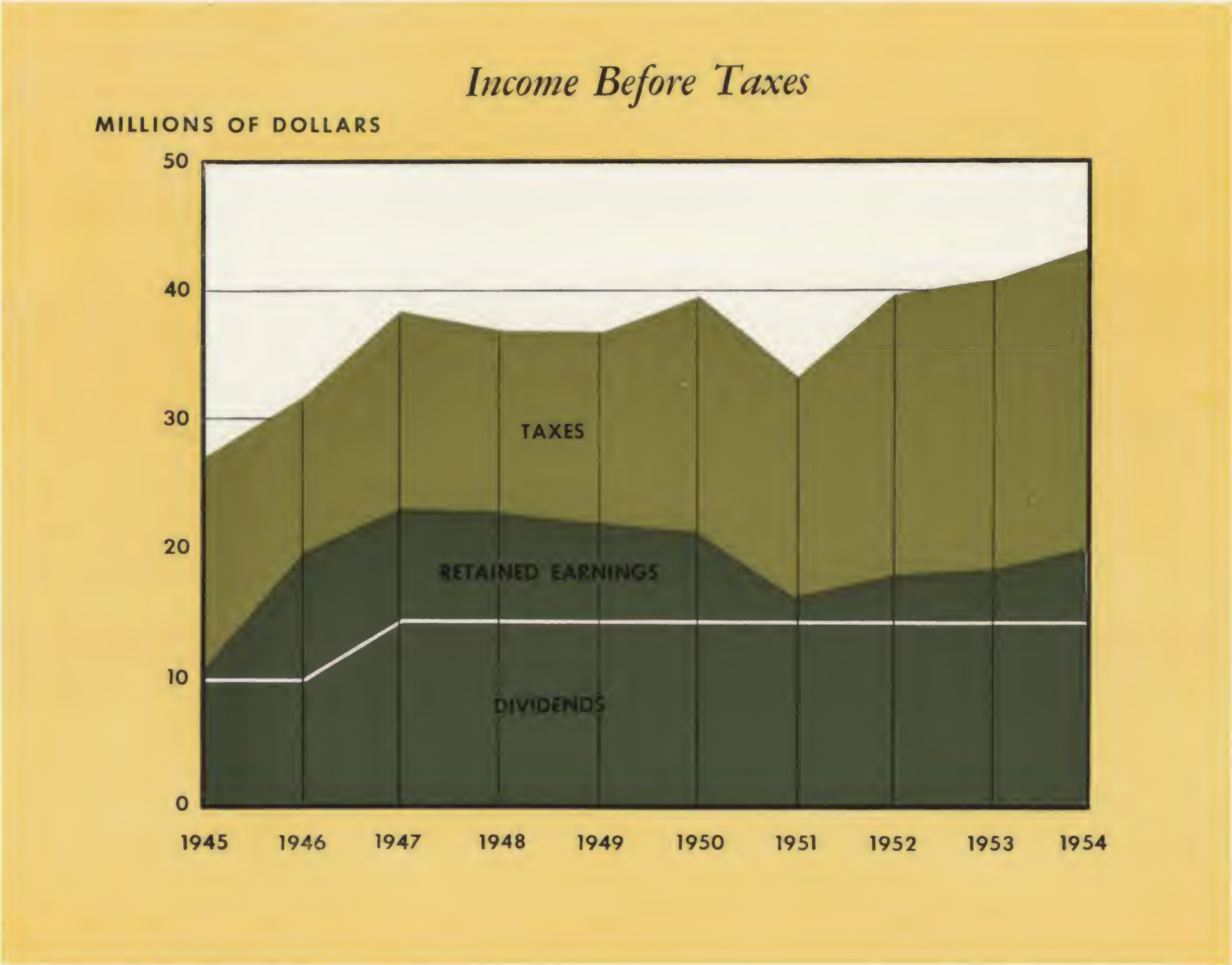
(New York time) on the Columbia Broadcasting System (CBS) network. We feel that this program, coming at a peak television viewing hour, gives us an excellent opportunity to sell our biscuit and cracker products in millions of homes.

NABISCO brought another fine show to television in October, "The Adventures of Rin Tin Tin." Featuring the great-grandson of the famous dog star of the silent movies, the show portrays the adventures of the dog and his young master at a western army cavalry post of eighty years ago. It possesses tremendous appeal for youngsters and dog owners of all ages and is an ideal vehicle for the advertisement of NABISCO SHREDDED WHEAT cereal and our MILK-BONE and PAL dog-food products. The program is seen over the American Broadcasting Company (ABC) network at 7:30 P.M. (New York time) each Friday. A radio version was added in January, 1955, which is heard over the Mutual Broadcasting System (MBS) network each Sunday at 5:00 P.M. (New York time).

Taxes

The elimination of excess profits taxes afforded some relief, but corporation tax rates of 52% are still at an extremely high level.

The Company's direct taxes (including social security taxes) for the year 1954 were \$29.7 million. This is equal to \$1,063 for each individual presently employed by the Company. It is also equivalent to \$4.66 per share of common stock in 1954 – \$4.60 in 1953.



Finances

At the close of the year 1954 current assets totaled $102.5 million and current liabilities $48.7 million, leaving net working capital of $53.8 million.

The following analysis reveals where the money came from and how it was used in the year 1954:

Funds were added to the business
by the excess of net profits earned during the year over dividends paid to shareholders; i.e. net profits retained in the business . . . . . $5.5 million
from depreciation allowances during the year, which, while reducing earnings, do not represent an outlay of funds and thus add to the funds in the business . 8.4 million
by the issuance of common stock . . . . . . 3.6 million

by increased accounts payable liabilities . . . 2.4 million

by increased tax liability, provided to cover the additional taxes on the Company's increased profits . . . . . . 1.4 million

by a reduction in miscellaneous investments . 0.8 million

from disposal of assets no longer needed . . . 0.4 million

Funds were used

for investment in larger inventories and accounts receivable because of our increased activities . . $9.3 million

for land, buildings and equipment acquired during the year . . . 15.2 million

The net amount of all the above transactions represents a decline in available funds of $2.0 million, which is the difference between our cash and government-security assets at the close of the year 1954 of $41.7 million, and similar assets of $43.7 million at the close of the year 1953.

Capital expenditures

Due to some delay in the progress of construction of the new Philadelphia Bakery, capital expenditures in the year 1954 were somewhat less than originally anticipated but did aggregate $15.2 million.

Work on the new Philadelphia Bakery is

Changes in Consolidated Working Capital

(All amounts are expressed in thousands of dollars)

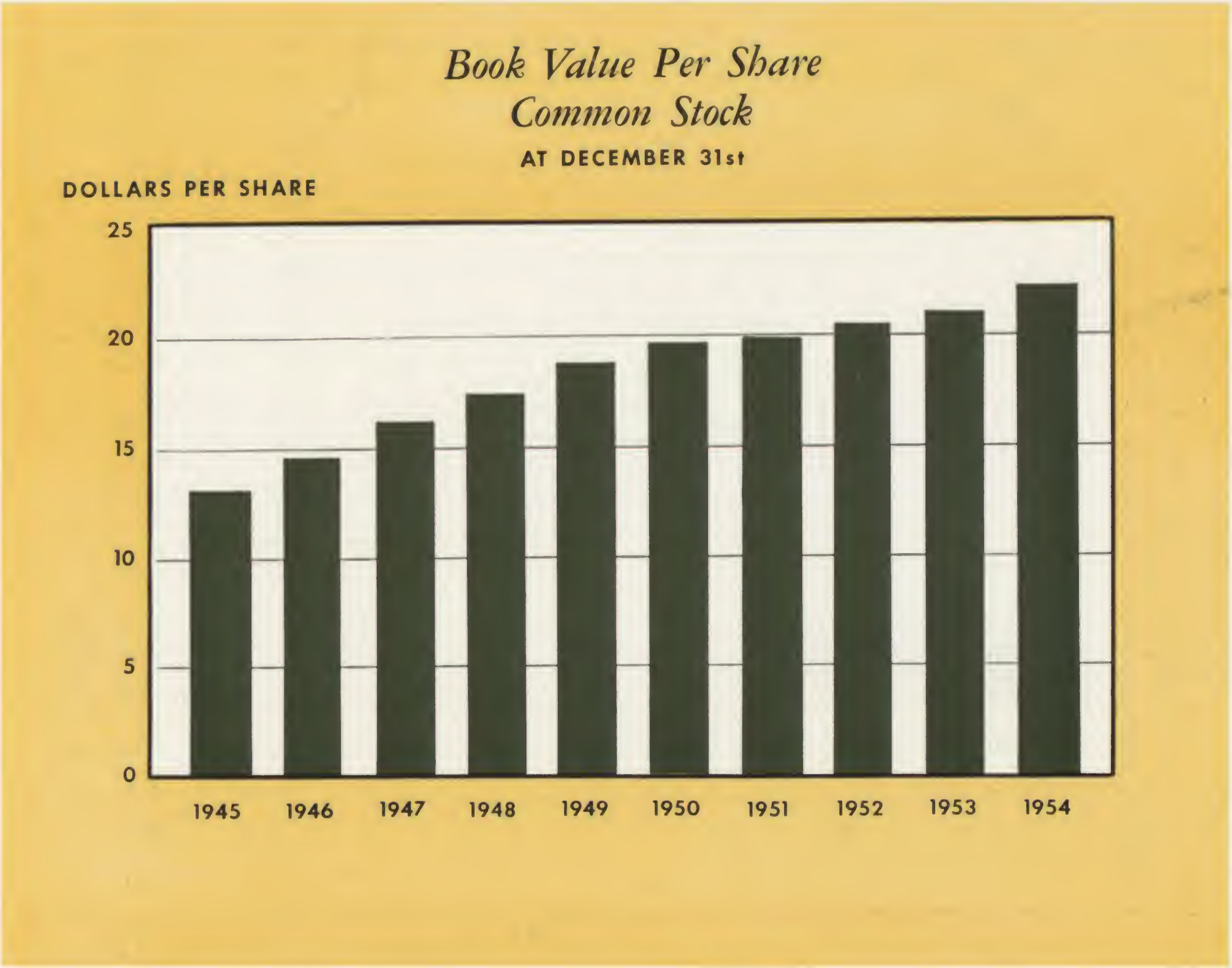
	1954	1953	1952	1951	1950
RECEIVED FROM					
Sales of product	$376,392	$359,018	$346,537	$329,925	$296,409
Long term bank loan (foreign) . . .	—	—	4,000	—	—
Issuance of common stock	3,559	—	—	—	—
Interest and miscellaneous income (net)	110	328	411	398	402
	380,061	359,346	350,948	330,323	296,811
USED FOR					
Materials and services purchased . .	193,938	181,505	174,412	172,162	145,951
Wages, salaries and employee benefits .	127,291	127,089	121,980	114,814	101,499
Taxes (except social security taxes) . .	27,114	26,287	25,257	20,480	21,757
Additions to plant and equipment . .	15,233	9,799	16,334	17,805	12,173
Dividends	14,460	14,315	14,315	14,315	14,315
Other (net)	(441)	(849)	(535)	(946)	(509)
	377,595	358,146	351,763	338,630	295,186
Increase or (decrease) in working capital .	$ 2,466	$ 1,200	$ (815)	$ (8,307)	$ 1,625

now moving forward and it is expected that this plant will be in production by the end of 1955.

The additional grain-storage facilities at the Cheney, Washington, Flour Mill have been completed and are now in use.

It is expected that expenditures for capital assets in the year 1955 will be about $20 million. This will include the completion of the Philadelphia Bakery; an addition to the new Chicago Bakery for the production of pretzel varieties to meet an increasing demand for these products; bulk-flour storage bins at the Toledo Mill; the start of a new bakery in Montreal, Canada, by our Canadian subsidiary, Christie, Brown and Company, Limited; as well as numerous other smaller projects.

Consideration is also being given to constructing a new bakery somewhere in Northern New Jersey to replace the New York City Bakeries which are very old and are located in a badly congested traffic area. At the same time the general offices of the Company, which are located in a Company-owned building on a site adjacent to the present New York Bakeries, will probably be moved to a more accessible area in New York City and



located in rented premises. You will be advised further during the year as these plans are more fully developed. The expenditures for these projects will occur in years subsequent to 1955.

It is expected that all of the above projects can be financed from funds retained in the business. These expenditures for modernizing plant serve to keep the Company competitive, increase profits, build employment security and create greater opportunities for Company personnel.

Stock ownership

The Company's capital stock continues to be widely held. Approximately 69,800 holders own our preferred and common capital stock.

The book value of common stock increased to $141.6 million at the end of 1954, equal to $22.17 per share of outstanding common stock.

The Company's record of paying dividends on its common stock remains unbroken since the first dividend was paid in October,

A group of NABISCO shareholders listens attentively to reports of current operations and plans for the future at the Company's 1954 Annual Meeting, held last April in New York City.

1899. Similarly, dividends have been paid on the preferred stock since the Company was formed in 1898.

In 1954 dividends totaling $12.7 million were paid on the Par Value $10 Common Capital Stock at the rate of $2.00 a share. The usual 7% dividend was paid on the Par Value $100 Preferred Capital Stock and totaled $1.7 million.

Operations outside the U.S.A.

During the year 1954 the name of the Canadian Shredded Wheat Company, Limited, was changed to Nabisco Foods, Limited. This was done because new cereal varieties and pet foods have been added to its line of products and the "Shredded Wheat" name no longer adequately described this company's activities.

Christie, Brown and Company, Limited, our biscuit and cracker subsidiary in Canada, has completed the modernization of its bakery at Winnipeg, Manitoba.

Land has been acquired in Montreal, Quebec Province, for a third Canadian biscuit and cracker plant. It is planned to start construction during the year 1955. This area of Canada is expanding rapidly, and the addition of a new bakery will make it possible for Christie, Brown and Company, Limited, to improve its service to the growing market.

Christie's Bread, Limited, is holding up plans to enlarge its bread bakery in Welland, Ontario, until surveys and market tests in other sections of Ontario Province have been completed.

Our subsidiary companies in Canada, England, Mexico and Venezuela plan to introduce several new products during 1955.

We have entered into an agreement with Motta S. P. A., of Milan, Italy. This company will produce certain of our popular biscuit and cracker items for sale in Europe, the Mediterranean area and the Near East. We are supplying a certain amount of machinery, as well as technical know-how and the right to use our trade-marks. Motta will pay us a royalty based on its production volume. Motta is a well-known company and presently produces high-quality soft cake and confectionery products which it exports extensively.

Organization changes

Carrol M. Shanks, president of Prudential Insurance Company of America, was elected a member of our Board of Directors on April 14, 1954, succeeding Franklin D'Olier, deceased.

Employee programs

The program of building and maintaining an efficient organization through careful selection, placement and training of employees is being continued and shows noticeable progress in the development of qualified personnel.

Under our benefit plan our employees or their dependents received $1.7 million in 1954 for weekly indemnity, accidental death of employees, and hospital, medical and surgical benefits.

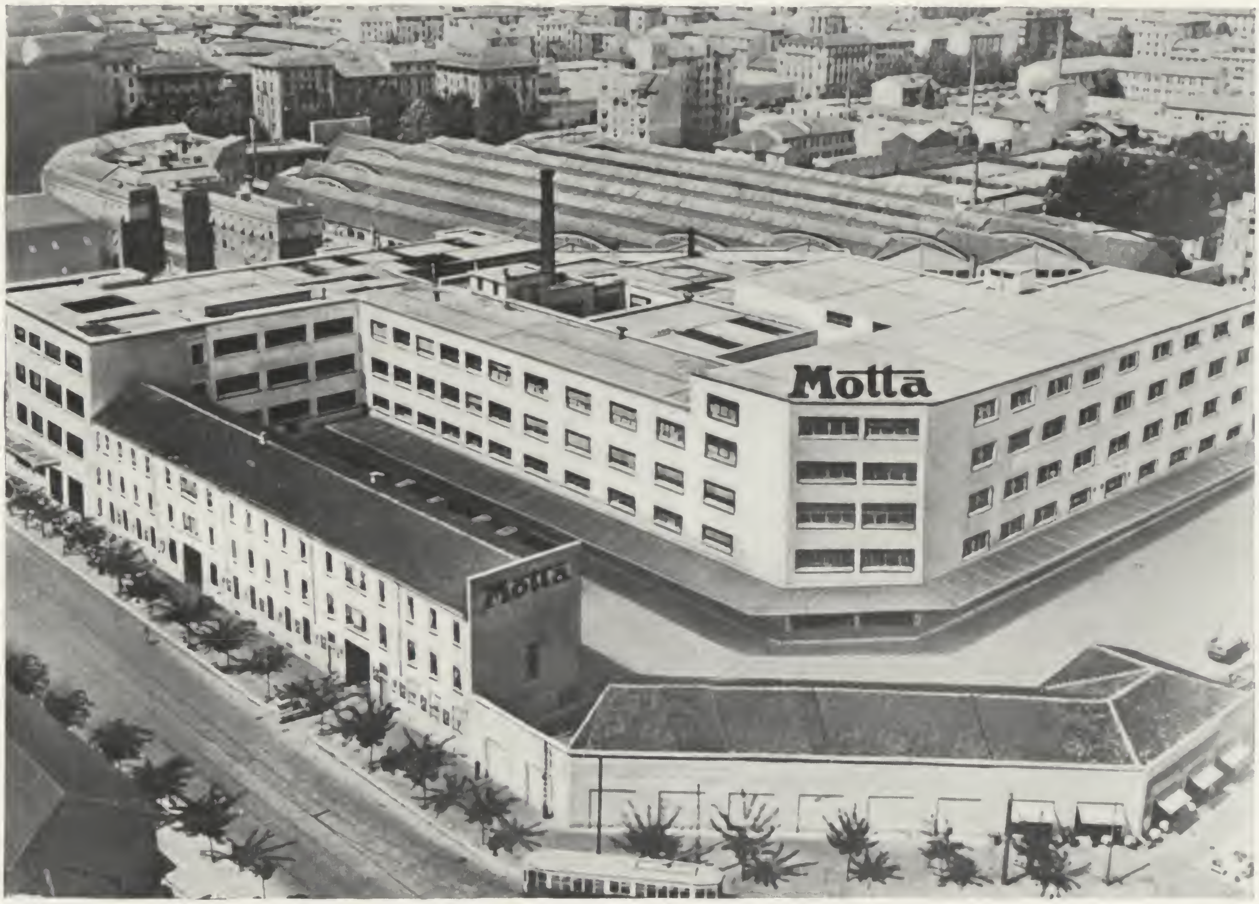
For twenty-nine years we have offered group life insurance to our employees, which

they obtain at low rates, with the Company paying part of the cost. Since the plan was first offered, $12.0 million has been paid to employees or their dependents in disability and death payments. This plan provided death benefits to beneficiaries of 226 of our employees in the amount of $1.1 million during the year 1954.

The cost to the Company for benefit and group insurance plans and social security taxes amounted to $5.3 million in 1954—$5.7 million in 1953.

A total of 226 employees qualified for pensions during 1954, and as of the end of the year, there were 2,037 retired employees receiving pensions. Pension costs, including the funding of a portion of the past service liability, totaled $6.9 million in 1954 – $8.3 million in 1953. The decline in cost in the year 1954 is due to contributing a lesser amount to the pension trust funds for past service liability. Through the close of the year 1953, we had been contributing about ten per cent of the past service liability each year, the maximum allowable as an annual deduction for income tax purposes. Effective with the year 1954, it was decided to reduce this contribution to about six per cent of the

This Milan, Italy production unit of Motta S.P.A., one of Europe's finest food-manufacturing plants, is now baking RITZ and PREMIUM SALTINE Crackers for sale in Europe and the Mediterranean area.



total past service liability. The amount of such contribution may be changed from time to time at the discretion of the Directors.

Research

Our research program is being gradually enlarged, and we are now spending about $1.2 million annually on research of all types.

Our research plan consists of (1) fundamental research, to discover new facts or principles about the baking industry, and (2) applied research. The latter, using the facts or principles discovered through fundamental research, seeks to develop better processes, improve quality and lower the prices of products, and to create new products, nutritionally balanced food and good low-calorie foods.

In addition to our own research, one of our major outside efforts comes through our membership in The Nutrition Foundation, Inc., a non-profit organization supported by the food industry to further research and education in the field of nutrition. As one of the founder members, NABISCO believes it is rendering a valuable public service in helping to broaden the nation's general knowledge of good food and health practices.

The period ahead

The direction of business activity as we enter the year 1955 is encouraging. Disposable income is at a very high level and the population is increasing—both favorable factors for our business.

Our new lines of food products and our new Special Products Division offer opportunities for growth and expansion, in addition to the normal growth possibilities present in our biscuit and cracker products.

Aggressive programs have been planned by our sales and marketing organizations for 1955 which, despite keen competition, should serve to expand our sales volume.

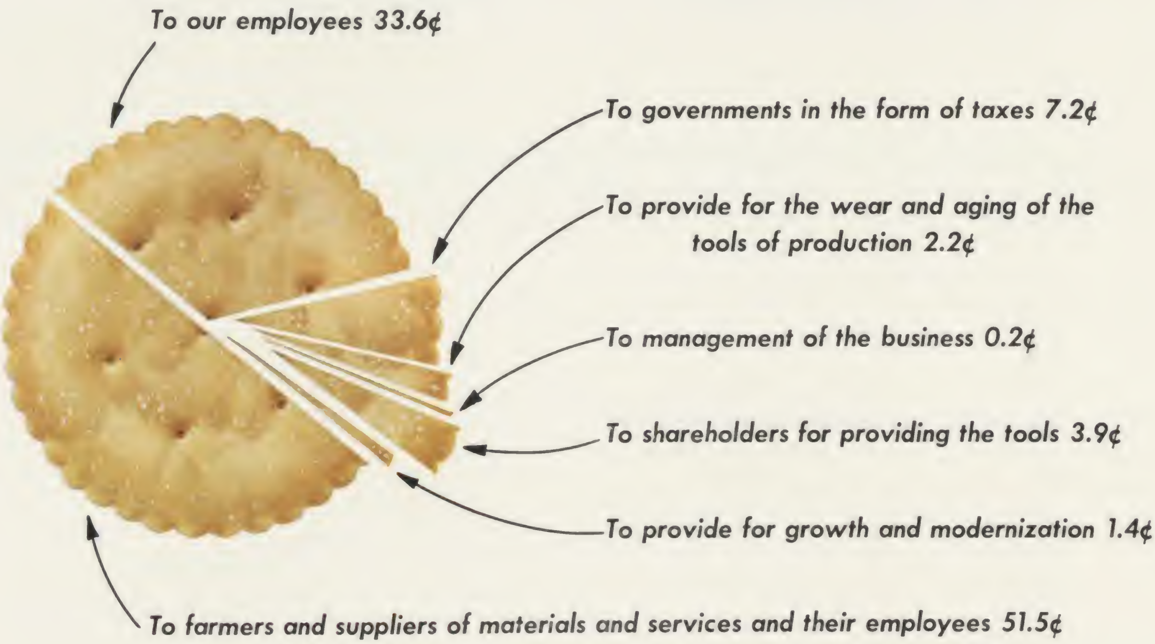
There seems to be a general feeling that the next decade may be one of unprecedented growth and opportunity. Some of the reasons advanced are the expected growth in population and the movement of population away from congested areas. These two factors will create a need for new homes, schools, roads, other municipal facilities and shopping and service areas—all of which will generate substantial business activity. In addition, the large expenditures for research now being made should result in the steady development of new products and conveniences.

We share in this opinion. While there may be some corrections in the economic picture from time to time, we believe that there will be a definite rising trend in business activity over the next decade.

Thus our policies of modernizing plant, expanding research activities and personnel development are continuing and are expected to place our Company in a strong position to meet competition and to participate in the future growth of business activity in the country.

PRESIDENT

Each Nabisco Sales Dollar Produced Income:



Summary of Operations—1954

We received from sale of our products	$376,392,292
We expended for	
Raw materials, supplies and services bought from others	193,938,081
Employees' services (wages, pensions, social security taxes, etc.) . .	126,555,360
Direct taxes, except social security taxes	27,114,326
Estimated wear and tear on plant and equipment, less profit on disposal of fixed assets	8,246,982
Officers' salaries for management of the business	736,090
Leaving profits†, representing the cost of using the tools of production (plant and equipment), which were	
Distributed as dividends to the shareholders	$ 14,459,980
Retained in the business for expansion and modernization . . .	5,341,473

†National Biscuit Company also received $110,476 interest and miscellaneous income arising from activities not related to the manufacture or sale of its products.

Consolidated Financial Position

	December 31, 1954	December 31, 1953
Current assets		
Cash	$ 18,336,908	$ 20,353,463
U. S. Government securities (approximately market)	23,350,000	23,325,000
Accounts receivable	10,100,535	9,148,439
Inventories (*a*)	50,732,579	42,376,612
Total current assets	102,520,022	95,203,514
Less **current liabilities**		
Notes payable to banks (foreign) (*c*)	1,000,000	—
Accounts payable and accrued expenses	19,850,324	17,491,823
Common dividend, payable January 14, 1955	3,192,980	3,144,724
Reserve for federal and foreign taxes on income	24,642,974	23,199,442
Total current liabilities	48,686,278	43,835,989
Working capital	53,833,744	51,367,525
Investment in foreign subsidiaries, not consolidated	1,440,000	1,440,000
Miscellaneous investments	219,509	1,075,439
Prepaid expenses and deferred charges	1,761,597	1,763,465
Plants, real estate, machinery and equipment (*b*)	112,108,618	105,706,173
	169,363,468	161,352,602
Less long term notes payable to bank (foreign) (*c*)	3,000,000	4,000,000
Excess of assets over liabilities	$166,363,468	$157,352,602
Represented by		
Capital stock, preferred (Par value $100—7% cumulative, noncallable) Shares authorized 250,000, issued 248,045	$ 24,804,500	$ 24,804,500
Capital stock, common (Par value $10) Shares authorized 12,000,000, issued 6,385,961	63,859,610	62,894,480
Paid-in surplus (*d*)	2,593,787	—
Retained earnings		
Appropriated		
Insurance and contingent reserve	3,726,188	3,726,188
Reserve for high-cost plant additions	12,000,000	12,000,000
Inventory reserve	5,000,000	5,000,000
Unappropriated	54,379,383	48,927,434
	$166,363,468	$157,352,602

(Notes to financial statements appear on page 18)

Consolidated Income & Unappropriated Retained Earnings

	1954	1953
Net sales	$376,392,292	$359,017,706
Cost of sales	233,861,789	224,913,310
Selling, general and administrative expenses	81,923,994	76,360,599
Contributions to pension trusts for past service	2,825,160	4,657,401
Depreciation (*b*)	8,441,111	7,544,074
Taxes (other than federal and foreign taxes on income)	6,390,211	6,282,995
Interest and miscellaneous income (net)	*110,476*	*328,218*
Profit on disposal of fixed assets	*194,129*	*1,223,866*
Provision for federal and foreign taxes on income (*e*)	23,342,703	22,666,251
Total	356,480,363	340,872,546
Net income	19,911,929	18,145,160
Unappropriated retained earnings January 1	48,927,434	45,097,485
	68,839,363	63,242,645
Preferred dividends $7.00 per share	1,736,315	1,736,315
Common dividends $2.00 per share	12,723,665	12,578,896
	14,459,980	14,315,211
Unappropriated retained earnings December 31	$ 54,379,383	$ 48,927,434

(Notes to financial statements appear on page 18)

Notes to Financial Statements

(*a*) Inventories of raw materials, supplies and finished product are stated at cost or market, whichever is lower. The cost of certain commodities is computed on the last-in, first-out (LIFO) method. Inventories comprise

	1954	1953
Raw materials and supplies	$ 35,491,561	$ 30,656,921
Finished product	15,241,018	11,719,691
	$ 50,732,579	$ 42,376,612

(*b*) Plants, real estate, machinery and equipment comprise

Cost of properties owned	1954	1953
Land	$ 7,734,415	$ 7,371,512
Buildings	76,883,548	71,261,280
Machinery and equipment	98,625,778	90,022,025
Total	183,243,741	168,654,817
Less allowances for depreciation	71,135,123	62,948,644
	$112,108,618	$105,706,173

Effective January 1, 1954, the sum of the years' digits method of computing depreciation was adopted, in place of the straight-line method, for the major portion of the domestic plants, machinery and equipment acquired subsequent to December 31, 1953. This change had no material effect on net income for 1954.

(*c*) The notes payable to bank (foreign) are four per cent notes due in equal annual installments to 1958.

(*d*) Paid-in surplus represents the excess of market value over par value of 96,513 shares of common stock issued for all outstanding capital stocks of The Hills Brothers Company, now consolidated.

(*e*) The provision for taxes on income in 1953 includes federal excess profits tax of $921,000.

(*f*) The financial statements for 1954 include the following U. S. dollar amounts (translated at appropriate rates of exchange) in respect of the four consolidated foreign subsidiaries: net current assets and deferred charges, $3,090,774; net plant assets, $13,026,702; long term notes payable to bank, $3,000,000; and net income, $1,751,609.

The Company is guarantor of certain obligations, not material in amount, of a non-consolidated foreign subsidiary.

Report of Auditors

TO THE SHAREHOLDERS OF
NATIONAL BISCUIT COMPANY, NEW YORK 14, N. Y.

We have examined the statement of financial position of National Biscuit Company and its consolidated subsidiaries as of December 31, 1954, and the related statement of income and unappropriated retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying statements of financial position and income and unappropriated retained earnings present fairly the financial position of National Biscuit Company and its consolidated subsidiaries at December 31, 1954, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent (except for the change, which we approve, in the method of computing depreciation explained in note b) with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, N. Y.
February 4, 1955

Nabisco's Newest Motion Picture

"Crackers By the Billion"

The Company has recently completed a full-color motion picture which will be released soon to consumers and trade groups across the country.

Entitled "Crackers By the Billion," the film traces cracker and cookie production from the wheat field through the flour mill and bakery. Most of the scenes were taken at our Toledo Flour Mill and new Chicago Bakery, and some of them appear on this page.

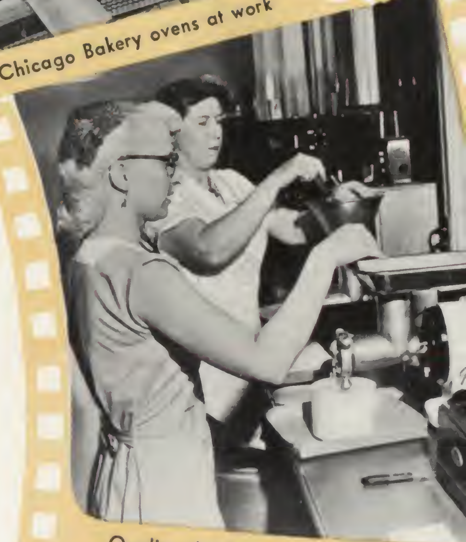
We feel this film will create a favorable impression with those customers and potential customers who see it. NABISCO shareholders and others who might have an opportunity to present "Crackers By the Billion" at meetings of their own service or community groups may borrow a copy of the film from the Advertising Department, General Office, New York 14, N. Y.


Wheat arrives at Toledo Mill


Grain car is tipped and emptied


Grain is checked and stored


Chicago Bakery ovens at work


Quality check run on finished products


RITZ Crackers cool after baking


Crackers are loaded for shipment

NATIONAL BISCUIT COMPANY

Board of Directors

Roy E. Tomlinson, *Chairman*

Charles C. Auchincloss
William H. Colvin Jr.
George H. Coppers
Dudley W. Figgis
Roy C. Gasser
Don G. Mitchell
George A. Mitchell
Edward S. Moore Jr.
Paul Moore
Alexander C. Nagle
Livingston Platt
Carrol M. Shanks
Perry M. Shoemaker
Russell M. Shultz

Executive Committee

Charles C. Auchincloss
George H. Coppers
Edward S. Moore Jr.
Paul Moore
Alexander C. Nagle
Livingston Platt
Roy E. Tomlinson

Officers

Roy E. Tomlinson	*Chairman*
George H. Coppers	*President*
Edward S. Moore Jr.	*Executive Vice President*
Lee S. Bickmore	*Vice President, Sales*
Thomas F. Burke	*Vice President, Bread Department*
Howard B. Cunningham	*Vice President, Purchasing*
Harry T. Eggert	*Vice President, Personnel Relations*
George A. Mitchell	*Vice President, Finance*
Russell M. Shultz	*Vice President, Operations*
Herbert E. Wiggin	*Vice President, Traffic*
Frederick F. Brodesser	*General Auditor*
Albert T. Bullock	*Secretary and Treasurer*
Charles S. Webster	*Controller*

Everett W. Barto	*General Counsel*

Executive Offices: 449 West 14th Street, New York 14, N. Y.

•

Transfer Agent: Guaranty Trust Company, New York 15, N. Y.
Registrar: First National Bank, New York 15, N. Y.

NABISCO